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## DOCUMENTS, REPORTS, AND LEGISLATION

### Industries and Commerce

**FARM LAND VALUES IN IOWA.** The value of Iowa farm land increased \$63 per acre, or 33 per cent, from March, 1919, to March, 1920. The period of greatest activity in buying and selling, conveniently designated as the period of the "boom," was from March to September, 1919. In order to determine the causes for this unusual increase in land value and to estimate the probable effects of the boom upon the farming industry of the state, the United States Department of Agriculture and the Iowa Agricultural Experiment Station collaborated in an intensive study of the situation in sixty Iowa counties.

The land boom was not peculiar to Iowa; there was an upward trend in land values in the country as a whole during the same period amounting to 21 per cent. In fact, although Iowa led in per acre increase, there were a number of states in which the percentage increase was greater. The investigation was confined to Iowa in order to limit the area so as to make the survey reasonably intensive. Data concerning 1414 actual sales were secured from real estate men, bankers, lawyers, and retired farmers who had participated in the drawing up of sales contracts. The conclusions drawn in the report were based on these sales supplemented by data on farm earnings on about 400 farms, secured from farm management surveys previously made by the Iowa Experiment Station.<sup>1</sup>

The study of farm incomes revealed the fact that the primary cause of the boom was the marked increase in farm incomes, as a result of war prices for farm products. Land values, although advancing during the war, had lagged behind the increase in net earnings. It required some time for the fact of increased earnings to be reflected in advancing land prices. Moreover, heavy investment in Liberty bonds, and absence of farm boys in the army were contributing factors in retarding the demand for land. On the other hand, the larger earnings had increased the uninvested funds in the hands of the farmers and were thus responsible for the boom in still another way. The prevailing credit conditions were also favorable to the increased buying.

The movement, once started, increased of its own momentum. Many persons who had hoped to become landowners hastened to buy before

<sup>1</sup> In spite of this limitation on the area covered the study was based on rather incomplete data. The total number of all sales in the counties surveyed is not given but the total for the state was estimated at 19,600 farms. It is to be regretted that the conclusions reached are not supported by somewhat fuller data.

prices rose higher. The supply of land came largely from landowners who believed it a good time to realize a high price for their farms. But the supply was increased by the desire of nearly one third of the buyers to sell again as soon as they had realized a substantial speculative profit. Professional boosters and land dealers did all they could to intensify the excitement, sometimes stimulating it with fictitious sales. Stories of land selling at unheard of prices were widely heralded in the newspapers. Accounts of the large profits being made by reselling land were circulated and added their share to the excitement.

The investigators found, however, that there was a great deal of exaggerated newspaper publicity given to sales made at extreme prices. The impression became current that \$400 was the going value of Iowa land. The study showed that 80 per cent of the sales ranged from \$150 to \$350 per acre and that less than 5 per cent were for \$400 an acre or more. In most cases where unusual prices were paid (one instance of 10 acres at \$900 per acre was noted) the farms were small and had considerable residential value.

In the same way there was found to be considerable exaggeration as to the extent of buying and selling during the period of the boom. Contrary to the popular belief, less than 10 per cent of the farms of Iowa were actually sold during the year. About 67.7 per cent of these farms were sold but once, 25.5 per cent were sold twice, 4.7 per cent were sold three times, and 2.1 per cent were sold four times or more between January 1 and September 1, 1919.

Analysis of the occupations and intentions of the buyers and sellers indicated that farmers were more active as buyers than as sellers of farms, constituting 65.3 per cent of the former and 57 per cent of the latter. This indicates that the immediate result of the boom will be to increase the proportion of land-owning farmers. For the purpose of ascertaining the extent to which speculative motives influenced the activity, a classification was made of the intentions of buyers and the motives for selling. Over one fourth bought with the definite intention of reselling. To those who bought primarily for speculation, could be added a considerable number who were in a position to occupy the land but were also quite willing to resell. Nearly one third of the sellers gave as their primary motive the desire to realize a speculative profit.

The terms of the sale contracts were found to conform quite generally to the established custom. A small initial payment was made at the time of purchase in order to bind the deal. Possession of farms was to be given March 1, at which time the full settlement was

made. The total cash payments, including the initial and March 1 payments, averaged 40.7 per cent of total consideration involved. About 10 per cent of the sales were fully paid in cash, the remaining 90 per cent involved mortgage indebtedness. The average amount of all classes of mortgages was 64 per cent of the sale price of the farms mortgaged. In more than 13 per cent of these cases the mortgage indebtedness was 80 per cent or more. The duration of the mortgages was from one to thirty three years with five and ten years the ruling periods. The average duration of first mortgages was 7.7 years and second mortgages was 6.6 years. The prevailing interest rates on first mortgages were 5 per cent and  $5\frac{1}{2}$  per cent, the average being 5.3 per cent. The rate on second mortgages was only slightly higher, averaging 5.7 per cent.

The analysis of farm earnings shows that for many years there has been a tendency to capitalize land in Iowa, as well as other prosperous farming regions, at less than 5 per cent. Cash rentals on 114 farms in 1912 were shown to have returned only 2.3 per cent to the landlord. In 1918 the landlord's return, as shown by data collected in 49 counties, was only 2.71 per cent of the land value. Owners operating their own farms were able to make a somewhat higher return than was secured by those who rented them to others for a cash rental. But even in these cases the average return to owners in the Tama district was only 3.93 per cent in 1913 and 4.99 per cent in 1918. The earnings of 1918, however, would represent only 3.5 per cent on the basis of the land value of August, 1919.

By various methods of analysis it is shown that the operating incomes of the tenants have been higher in proportion to capital invested than those of the owner-operators. In the past, however, the increment of land value has been an important means of acquiring wealth. If the advance in land values is checked, it will not pay a tenant to become an owner under existing conditions. There is, moreover, an increased difficulty in acquiring land at the high prices. The average farm investment has become so large that the average net worth of the tenants is only about 11 per cent of the average value of the farms. Accordingly the tenant must borrow a large proportion of the purchase price. The conclusion, therefore, is "that in view of the financial undesirability as well as the almost insuperable difficulty of tenants acquiring ownership under present conditions, comparatively few tenants may be expected to change their present status, unless there occurs a marked change in conditions."

What will be the probable consequences of the boom? One imme-

diated result has apparently been an increase in the number of farmers owning the farm which they operate. The March settlement following the boom occurred without serious credit stringency. It was found that the majority of the buyers were persons of sufficient means to withstand any conditions temporarily unfavorable to agriculture. The investigators feel that it is too early to determine the ultimate economic consequences. Their conclusion is that current prices of farm land are not justified by the earning power of the land when compared with other high grade investments. This is regarded as an unwholesome condition. The tendency toward overcapitalization of land will probably accelerate the growth of tenancy. The writers urge that because of this striking increase in land values more attention be given to the future land policies of the United States.

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The federal Bureau of Foreign and Domestic Commerce has issued: Special Agents Series:

- No. 188, *Construction Materials and Machinery in Argentina and Bolivia*, by W. W. Ewing (pp. 192).
- No. 190, *Advertising Methods in Argentina, Uruguay, and Brazil*, by J. W. Sanger (pp. 119).
- No. 192, *Construction Materials and Machinery in Brazil*, by W. W. Ewing (pp. 96).
- No. 194, *Textile Markets of Argentina, Uruguay, and Paraguay*, by L. S. Garry (pp. 151).

Miscellaneous Series:

- No. 84, *Commercial Handbook of China*, Volume 2, by Julean Arnold (pp. 469).

This is an exhaustive study, in which Mr. Arnold had the coöperation of the various American consular officers as well as of Chinese investigators. There are many illustrations and maps.

- No. 88, *The Economic Position of Argentina during the War*, by L. B. Smith and H. T. Collings (pp. 140).
- No. 100, *Import and Export Schedules of Italy* (pp. 93).
- No. 102, *The Import and Export Schedule of France* (pp. 56).
- No. 103, *Annual Review of the Foreign Commerce of the United States, 1919* (pp. 36).

The *Annual Report of the Federal Trade Commission* for the fiscal year ended June 30, 1919 (Washington, 1920, pp. 133) gives a list

of the cost reports submitted by the commission during the year 1918-1919. This covers a great variety of costs.

In connection with the general question of food, the Federal Trade Commission has published a *Report on Private Car Lines* (pp. 171). Part 1 presents a general survey; part 2, the packer car lines and their relations to the public; part 3, non-packer car lines. The development of the refrigerator car is described and there are chapters on the financial results of operation, icing stations, and the relations of the packers to the railroads.

The commission has issued also a report on the *Wholesale Marketing of Food* (pp. 68) in which there are chapters on dealers and their functions, types of markets, conditions in the wholesale marketing of produce which make for losses, survey of New York produce marketing conditions, and the wholesale marketing of perishable foods in foreign countries.

In the series of reports on the meat-packing industry have appeared: Part IV, *The Five Larger Packers in Produce and Grocery Foods* (pp. 390); Part V, *Profits of the Packers* (pp. 110); and Part VI, *Cost of Growing Beef Animals, Cost of Fattening Cattle, Cost of Marketing Live Stock* (pp. 183).

In its series of cost reports the commission has printed a volume on *Coal*, No. 4, *Alabama, Tennessee, and Kentucky—Bituminous* (Washington, 1920, pp. 210).

The *Report on the Beet Sugar Industry in the United States*, originally published in 1917, has been reprinted (pp. 164).

A further report of the Federal Trade Commission is that on *The Woolen Rag Trade* (Washington, 1920, pp. 90).

Bulletins have been received from the United States Geological Survey as follows: *Potash in 1918*, by W. B. Hicks (pp. 385-445); *Bauxite and Aluminum in 1918*, by James W. Hill (pp. 513-526); *Iron Ore, Pig Iron and Steel*, by Ernest F. Burchard (pp. 527-584); *Copper in 1917*, by B. S. Butler (pp. 723-796); *Cement in 1918*, by E. F. Burchard (566-627).

The United States Tariff Commission has printed a pamphlet entitled *Information concerning Free Zones in Ports of the United States to be used by the House Committee on Ways and Means* (pp. 115); *Information concerning Dumping and Unfair Foreign Competition in the United States and Canada's Anti-dumping Law* (pp. 45); and in Tariff Information Series: No. 10, *Cotton Venetians, Import Trade and Domestic Production* (pp. 83); No. 14, *The Incandescent Gas-*

*Mantle Industry* (pp. 32); and No. 15, *Costs of Production in the Dye Industry 1918 and 1919* (pp. 24).

The Department of Agriculture has issued a pamphlet on *Information concerning the United States Warehouse Act* (June 2, 1920, pp. 36).

The *Yearbook of the Department of Agriculture, 1919* contains articles on "Three centuries of tobacco," by George K. Holmes (pp. 151-176); and "Live-stock conditions in Europe," by Turner Wright and George A. Bell (pp. 407-424).

The Superintendent of Documents has issued as Price List 38, *Animal Industry* (Washington, pp. 24).

The Bureau of the Census has made its yearly report on *Cotton Production and Distribution, seasons of 1918-1919* (Washington, pp. 135).

*Awards and Recommendations of the United States Bituminous Coal Commission* have been printed (Washington, 1920, pp. 120). Considerable space is devoted to irregularity of employment and the shortening of the working day.

The *Proceedings of the Annual Convention of the National Highway Traffic Association and the Highway Transport Conference of the National Automobile Chamber of Commerce*, held January 29, 1920, in Chicago, contains a considerable amount of information in regard to the development of the motor truck industry (New York, National Automobile Chamber of Commerce, pp. 54).

The American Fair Trade League (Fifth Ave. Bldg., New York) is supporting a bill to protect the public against misbranding of merchandise. Copies may be had upon application.

The Institut International du Froid (9 avenue Carnot, Paris) is investigating the subject of the organization of a world-wide meat trade market and is requesting answers to a questionnaire in regard to the development of the refrigeration business in different countries.

The Bureau of Business Research, Harvard University, has prepared Bulletin No. 19 relating to *Operating Expenses in the Wholesale Grocery Business in 1919* (Cambridge, pp. 15, \$1).

The Bureau of Business Research at Northwestern University School of Commerce is engaged in a study of retail costs of distributing clothing in the United States. This inquiry is undertaken by the National Association of Retail Clothiers and relates to merchandising

practices of retailers of clothing and to retail costs of distributing clothing. It is nation-wide in its scope covering the complete membership of the association and about one thousand non-members. A preliminary report is to be made on the results of this survey at the annual meeting to be held in Chicago in September, and later will be available for general distribution.

This bureau has also made a survey of the book and job printing industry for the Franklin-Typothetae of Chicago and a typewritten report with blue-print charts has been issued under date of June 15, 1920 (Chicago, pp. 66).

### Corporations

The Presidents' Conference Committee, Philadelphia, Pa., has published the *Hearings* before the Interstate Commerce Commission *in re* Section 422 of the Federal Transportation Act, *ex parte* No. 71, held March 22-24, 1920 (pp. 136); also the *Testimony of Thomas W. Hulme* in the matter of the applications of carriers in official southern, and western classification territories for authority to increase rates, presented May 26 and 27, 1920 (pp. 20) and the *Cross-Examination* given July 7 (pp. 40).

The Bureau of Railway Economics has published a typewritten *List of References on Coördination of Transportation Facilities* (Washington, 1920, pp. 14).

The corporation commissioner of Oregon has compiled in a separate pamphlet *Corporation Laws of the State of Oregon* (Salem, pp. 123).

Public utility reports have been received as follows:

*Eighth Annual Report of the Public Utilities Commission of Connecticut*, 1920 (Hartford, pp. 811).

*Thirty-fifth Annual Report of the Board of Gas and Electric Light Commissioners of Massachusetts* (Boston, pp. 287, 244).

*Thirty-fifth Annual Report of the Railroad Warehouse Commission of the State of Minnesota*, 1919 (St. Paul, pp. 536).

*Seventh Annual Report of the Public Utilities Commission of the State of Rhode Island*, 1918 (Providence, pp. 256).

### Labor

The federal Bureau of Labor Statistics has published the following bulletins:

No. 256, *Accidents and Accident Prevention in Machine Building*, by Lucian W. Chaney (Nov., 1919, pp. 239). This is a revision



of bulletin 216, on which there was a comment in the March, 1918, number of this REVIEW (vol. 8, p. 184).

No. 258, *Decisions of Courts and Opinions affecting Labor, 1918*, by Lindley D. Clark and Martin C. Frincke (Dec., 1919, pp. 239).

The federal Bureau of Mines has published its annual compilation of *Coal-Mine Fatalities in the United States, 1919*, by Albert H. Fay (Washington, 1920, pp. 86). It contains statistics for the entire United States.

The bureau has also published *Quarry Accidents in the United States during the calendar year 1918*, by Albert H. Fay (pp. 52).

The United States Department of Agriculture has issued Bulletin No. 814 entitled *The Standard Day's Work in Central Illinois*, by H. R. Tolley and L. M. Church (Washington, 1920, pp. 32). This relates to the amount of work that farm implements, teams, and crews can accomplish as indicated by the reports of 600 farmers in a typical farm area.

The Bureau of Railway Economics has published a typewritten list of *Some References to Material on Arbitration of Disputes between Railroad Companies and Employees by Government Boards of Arbitration* (Washington, June 28, 1920, pp. 21).

The *Seventh Annual Report of the Minimum Wage Commission of Massachusetts*, for the year ending November 30, 1919 (Boston, Pub. Doc. 102, pp. 86) describes the work of the year with recommendations for further legislation. This commission has also issued its *Second Report on Wages of Women in Corset Factories in Massachusetts* (pp. 49).

*The Second Annual Report of the Minimum Wage Board of the District of Columbia, 1919* (Washington, 1920, pp. 60) contains a discussion of some of the effects of the minimum wage law. In the appendix are budgets submitted by representatives of employees in conferences.

Other reports dealing with labor are:

*Hearings* before the House Committee on Immigration and Naturalization relating to temporary admission of illiterate Mexican laborers, held in January and February, 1920 (pp. 376).

*Tenth Biennial Report of the Commissioner of Labor and Industrial Statistics of Louisiana, 1919-1920* (New Orleans, 1920, pp. 108).

*Twenty-sixth Annual Report of Factory Inspection in Rhode Island* (Providence, 1920, pp. 81).

## Money, Prices, Credit, and Banking

COMPARATIVE SUMMARY OF BANKING STATISTICS. Although a highly optimistic view of the present condition of the world's currency is not to be entertained, it is not out of keeping with the facts to maintain that the situation by and large has taken a turn for the better. This improvement is, however, confined to the more important Allied countries. In Great Britain, the maximum issue of currency notes for 1920 has been fixed at £320,600,000, which is approximately the amount outstanding at the end of 1919 less reserves in coin and bullion and Bank of England notes. The weekly statements indicate that the government has kept issues well within these limits.

Measures have also been adopted to arrest the progress of note inflation in Italy. It had been officially stated in the early part of the year that a goodly portion of the cash proceeds of the recent popular loan (20 billion lire having been subscribed, of which 7 billions represented new money) would be devoted toward reducing the obligations of the state to the three banks of issue. This procedure will of necessity reflect itself in the decrease of notes issued on account of the government. That the wheels of deflation have already been set in motion may be observed from the following figures: at the end of 1918, the notes of the three banks and the state notes totalled 13,874 million lire; at the end of 1919 they reached 18,552 millions; but on March 20, 1920, they declined to 17,879 million lire. With the successful flotation of the recent loan, the government redeemed its promise and early in January began to utilize the available resources for this purpose.

In France, the convention entered into by the government and the Bank of France during April of this year provides for a reduction in state loans from 27 billion francs to 24 billions before the expiration of the present year, and also for the reimbursement of the remainder to the extent of 2 billion francs each year thereafter. Aside from this arrangement, encouragement may be gathered from the recent weekly statements of the Bank of France, which indicate a decline of more than a billion francs in the outstanding circulation during the last six weeks, in comparison with the peak reached in the earlier months of the current year.<sup>1</sup>

Counteracting the progress made by the above countries towards the rehabilitation of their currency, there is the enormous and uninterrupted expansion in note issues taking place in central European coun-

<sup>1</sup> This article was written the last week of June, 1920.

tries, beside which the classic feats of John Law would pale and fall into insignificance. This statement particularly characterizes the note operations of the Reichsbank, whose circulation at the present writing approximates 54 billion marks as compared with 36 billions at the end of 1919, 22 billions at the end of 1918, and 11 billions at the end of 1917. When the turning point will be reached only the future can tell.

In comparing the balance sheet of the central banks of 23 countries before the war and at the most recent date, it is discovered that notes and deposits have manifested an eightfold and fourfold rise, respectively, whereas their gold and silver holdings have increased but 77 per cent. The ratio of the first two items to the latter fell from 60.1 per cent to 13.4 per cent. Studying the figures by groups, we find the ratio for belligerents dropped from 61.2 per cent to 11.7 per cent but that for neutrals, etc., from 57.7 per cent to only 48.1 per cent. The worst effects are shown by the Central Powers with the exception of Turkey.<sup>2</sup> Of the larger Allied countries, Italy's banking system has experienced the greatest derangement; and of the smaller nations, Belgium shows the weakest position.

On the other hand neutral countries (inclusive of Brazil, which was an inactive belligerent) have fared far better than belligerents. Argentina, Netherlands, and Spain are the only countries in this group where the liabilities have, comparatively speaking, been outdistanced by the reserves. In the case of Brazil the decline in the ratio of the Guarantee Fund (Caixa de Conversao) is almost as dramatic as that which took place in the banks of issue of some of the Central Powers. Improvement in the financial situation of all other neutral banks of issue, is, however, to be noted. The metallic reserves of the Bank of Netherlands show an increase of 282 per cent; National Bank of Denmark, 239 per cent; National Bank of Switzerland, 213 per cent; Bank of Spain, 141 per cent; Bank of Norway, 179 per cent; Bank of Sweden, 141 per cent; and the Conversion Fund of Argentina, 59 per cent. Brazil is the only country in this group where a decline is registered of 72 per cent.

The notes in circulation of neutral banks show the following ap-

<sup>2</sup> The slight expansion in banknotes was due to the refusal on the part of the directors of Ottoman Bank of Constantinople to aid in financing the war by fiduciary issues. The Ottoman government was compelled to pursue a different course and issued treasury notes instead, guaranteed by German and Austrian advances, and German treasury bills. For further details see two articles of the present writer in the *Quarterly Journal of Economics*, May and November, 1919.

TABLE A.—COMPARATIVE STATEMENT OF METALLIC HOLDINGS,  
(Million

BEFORE ENTERING THE WAR					
COUNTRY	DATE	GOLD AND SILVER HOLDINGS	DEPOSITS	NOTES IN CIRCULATION	Ratio of Metallic Holdings to Combined Note and deposit Liabilities (per cent.)
A. ALLIED					
United States <sup>a</sup> . . .	Mar. 30, 1917	947	707	357	89.0
Great Britain . . . .	July 29, 1914	186	327	145	39.4
France . . . . .	July 30, 1914	920	257	1290	59.5
Italy <sup>b</sup> . . . . .	July 31, 1914	288	41	421	62.3
Russia . . . . .	July 8-21, 1914	937	566	842	66.5
Japan . . . . .	Aug. 1, 1914	109	76	163	45.6
Belgium . . . . .	July 30, 1914	61	24	216	25.4
Greece . . . . .	Mar. 13, 1914 <sup>c</sup>	45 <sup>d</sup>	45	44	50.6 <sup>d</sup>
Rumania . . . . .	Mar. 29, 1914 <sup>e</sup>	41	5	84	46.1
Portugal . . . . .	Mar. 31, 1914 <sup>e</sup>	18	8	90	18.4
Finland . . . . .	Mar. 31, 1914 <sup>e</sup>	7	5	23	25.0
Total, Allied Powers . .		3559	2061	3675	62.0
B. CENTRAL					
Germany . . . . .	July 23, 1914	402	225	450	59.6
Austria-Hungary . .	July 30, 1914	312	59	432	63.5
Turkey . . . . .	Dec. 31, 1913 <sup>c</sup>	21	70	5	28.0
Bulgaria . . . . .	Mar. 31, 1914 <sup>e</sup>	25 <sup>d</sup>	44	36	31.3 <sup>d</sup>
Total, Central Powers . .		760	398	923	57.5
Total, Active Belligerents		4319	2459	4598	61.2
C. NEUTRALS AND					
Argentina . . . . .	Mar. 31, 1914 <sup>c</sup>	224		342	65.5
Brazil . . . . .	Mar. 31, 1914 <sup>c</sup>	125		175 <sup>e</sup>	71.4
Denmark . . . . .	July 31, 1914	21		42	50.0
Netherlands . . . .	July 25, 1914	68	2	125	53.5
Norway . . . . .	July 31, 1914	14	4	33	37.8
Spain . . . . .	July 24, 1914	246	96	370	52.8
Sweden . . . . .	July 25, 1914	29	18	56	39.2
Switzerland . . . .	July 23, 1914	38	10	52	61.3
Total, Neutrals and Inactive Belligerents		765	130	1195 <sup>eA</sup>	57.7
GRAND TOTAL . . . . .		5084	2589	5793	60.1

A. Figures for the Federal Reserve System.

B. Figures for the three banks of issue. In the gold and silver holdings there are included also legal tender notes.

C. Figures taken from L'Economiste Français, July 4, 1914, p. 13.

D. Includes "funds held abroad" which consists principally but not entirely of specie. Because the latter can not be segregated, the whole amount is counted in the metallic holdings, which are consequently overstated. This situation is also

## DEPOSITS AND NOTE CIRCULATION OF PRINCIPAL BANKS OF ISSUE

(Dollars)

AT MOST RECENT DATE					
COUNTRY	DATE	GOLD AND SILVER HOLDINGS	DEPOSITS	NOTES IN CIRCULATION	Ratio of Metallic Holdings to Combined Note and deposit Liabilities (per cent.)
POWERS					
United States <sup>a</sup> . . . .	July 16, 1920	2119	1687	3136	43.9
Great Britain . . . .	July 14, 1920	598 <sup>r</sup>	872	605 <sup>r</sup>	40.5 <sup>r</sup>
France . . . . .	July 15, 1920	1126	611	7252	14.3
Italy <sup>b</sup> . . . . .	Feb. 10, 1920	223	152	2974	7.1
Russia . . . . .	Oct. 16-29, 1917	1948	1779	9457	17.3
Japan . . . . .	May 15, 1920	459	756	590	34.1
Belgium . . . . .	June 24, 1920	69	391	997	5.0
Greece . . . . .	May 13, 1920	294	256	268	56.1
Rumania . . . . .	May 1, 1920	293	415	875	22.7
Portugal . . . . .	May 5, 1920	29	41	433	6.1
Finland . . . . .	June 15, 1920	8	17	234	3.2
Total, Allied Powers . .		7166	6977	26821	21.2
POWERS					
Germany . . . . .	June 23, 1920	260	2756	12294	1.7
Austria-Hungary . . .	Mar. 7, 1920	58	1295	12148	0.4
Turkey . . . . .	Dec. 31, 1918	46	80	12	50.0
Bulgaria . . . . .	Feb. 29, 1920	10	192	581	1.3
Total, Central Powers . .		374	4323	25035	1.3
Total, Active Belligerents		7540	11300	51856	11.9
INACTIVE BELLIGERENTS					
Argentina . . . . .	May 26, 1920	455		578	78.7
Brazil . . . . .	May 31, 1920	31		568 <sup>g</sup>	5.5
Denmark . . . . .	May 31, 1920	61	10	138	41.2
Netherlands . . . . .	June 28, 1920	261	58	404	56.5
Norway . . . . .	June 15, 1920	40	38	113	26.5
Spain . . . . .	June 26, 1920	593	224	747	61.1
Sweden . . . . .	June 26, 1920	70	74	181	27.4
Switzerland . . . . .	June 23, 1920	120	23	171	61.9
Total, Neutrals and Inactive Belligerents		1631	427	2900	49.0
GRAND TOTAL . . . . .		9171	11727	54756	13.8

reflected in the ratio of metallic holdings to note and deposit liabilities being higher than it would have otherwise been.

E. Figures taken from *Mouvement Economique*, April, 1914, p. 316.

F. If the currency notes reserve of \$139,000,000 were taken into consideration, the metallic holdings would be swelled by that amount but the ratio would decline to one-half the figures given in the table owing to the great amount of currency notes issued against the reserve.

G. Both convertible and inconvertible notes.

proximate percentages of increase: Norway, 252; Switzerland, 242; Netherlands, 237; Denmark, 233; Sweden, 229; Spain, 103; Argentina, 45. Brazil increased its outstanding notes (including inconvertibles) from 175 millions to 568 millions, or an increase of 225 per cent. The following table (Table A) summarizes the reserve and currency situation of twenty-three principal countries before the war as compared with the most recent date for which figures are available.

In connection with the above figures a word of warning is in place. The data therein contained relate only to the central banks of issue, with the exception of Italy where the status of all three banks of issue is reflected. In the United Kingdom there are the English private banks, and the Scotch and the Irish banks of issue, whose note operations are of importance; in Germany there are the four other banks of issue. But of greater consequence is the fiduciary circulation issued by the treasuries of the various governments, and the emergency circulating media issued by the new agencies created as a result of the war. In the United Kingdom there are the currency notes; in Germany and Switzerland, loan-bank notes (*Darlehnskassenscheine*); in Italy, treasury notes and "greenbacks"; and in Japan, exchequer notes. Moreover the prodigious amount of paper currency issued by the Bolshevik government and other independent governments in various parts of Russia has been omitted from the above tabulation. Accordingly a table is here presented (Table B) comparing the total note circulation before the war, in both per capita and absolute figures, with that at the most recent date, as far as data permit.

With the fact borne in mind that the figures for *total* note circulation are necessarily incomplete, it will be observed from the above tabular summary that the total note circulation has increased more than fifteen-fold for all countries. The belligerent group as a whole shows a gain of more than eighteen times the pre-war circulation, the total note circulation of Allied countries increasing approximately seventeen-fold and that of the Central Powers, twenty-eight-fold. Neutral countries show a rise of only 143 per cent. Turkey leads all the belligerents in its percentage of increase. In the Allied group, Russia comes first, with Rumania, Great Britain, and Finland following more or less closely. Belgium displays the lowest percentage of increase, if no account is taken of the German marks in circulation.

Of the neutral countries, Argentina ranks lowest and Norway highest. The largest percentage which is 242.4 for Norway, still falls short of the lowest figure in the group of belligerents, namely, 341.7 for Japan. It suffices to state that in no case is the increase in total

note circulation greater than two-and-one-half-fold approximately, and the general average rise less than one and one half the pre-war figure.

Although Argentina showed the largest pre-war circulation per capita, the increase at the most recent date has been comparatively slight. The neutral countries as a group, including Brazil, record a per capita circulation of notes almost twice that of belligerents before the war, whereas the tables are reversed at present with the latter outdistancing by far the figures of the neutral group.

*Summary of Banking Changes in Neutral Countries during the War:*

**BRAZIL:** After the outbreak of the war the Conversion Fund<sup>3</sup> (*Caixa de Conversao*) was closed and convertible notes were thus made inconvertible. Later the two classes of currency were abolished and the Ministry was authorized to issue 60 million milreis of treasury notes in substitution for a like amount of convertible notes held by the government. Simultaneously the gold reserves against the convertible notes thus extinguished were transferred to the Guarantee Fund which heretofore applied to inconvertible notes. By this process the government made the gold in the Conversion Fund serve as a reserve against convertible and inconvertible notes alike.

**DENMARK:** Before the war a 50 per cent metallic cover against note liabilities was required of the National Bank of Denmark, but an amendment of March 31, 1915, lowered the percentage to 33 1/3.

**NETHERLANDS:** The extraordinary demands for currency and loans of the opening of hostilities forced the Bank of Netherlands to obtain a royal decree lowering the metallic reserve requirements to 20 per cent. On October 6, 1914, the reserve percentage had fallen to 32.6, but it rallied until it reached 43.1 on December 24, 1914, and continued to rise more or less steadily to 71.7 by the end of 1915, 72.3 in 1916, and 73.9 in 1917.<sup>4</sup>

<sup>3</sup> This fund was established December 26, 1906, primarily for the purpose of issuing convertible notes on the basis of gold on deposit. Before the war, it was required to cease issuing notes when the total circulation at the rate of 16 pence per milreis reached 900 million milreis (gold milreis = \$0.5463) and the gold on deposit in the fund amounted to 60 million pounds (\$291,990,000). Whenever a withdrawal of gold was occasioned, the Caixa could receive gold and issue convertible notes therefor.

<sup>4</sup> For a study of banking in belligerent countries, the reader is referred to an article of the writer appearing in the *Quarterly Journal of Economics*, November, 1919, entitled "Debt, Revenues, and Expenditures, and Note Circulation of Principal Belligerents." The latter has also been reprinted by the Bankers Trust Company of New York City under the title "Financial Status of Belligerents" and is available to readers of the REVIEW upon request.

TABLE B.—TOTAL NOTE CIRCULATION  
(Million Dollars)

Country	Total Note Circulation Before the War (A)	Per Capita (dollars)	Total Note Circulation at Latest Date	Per Capita (dollars)	Percentage of Increase in Note Circulation
A. ALLIED POWERS					
United States .....	715	6.70	4,017 (B)	37.09	461.8
Great Britain .....	223	4.84	2,616 (C)	56.76	1,073.1
France .....	1,290	32.49	7,252	182.67	462.2
Italy .....	518	14.11	3,593 (D)	97.86	593.6
Russia .....	842	4.62	50,156 (E)	280.34	5,856.5
Japan .....	163	2.81	720 (F)	12.41	341.7
Belgium .....	216	28.21	2,059 (K)	268.87	853.2
Greece .....	44	8.89	268	54.14	509.1
Rumania .....	84	11.19	2,608 (J)	347.36	3,004.8
Portugal .....	90	15.11	433	72.68	381.1
Finland .....	23	6.97	234	71.41	917.4
Total, Allied Powers..	4,208	8.51	73,956	148.79	1,657.5
B. CENTRAL POWERS					
Germany .....	538	7.93	15,720 (G)	231.82	2,821.9
Austria-Hungary (H)...	432	8.25	12,148	231.97	2,712.0
Turkey (H) .....	5	0.24	726 (L)	34.13	14,420.0
Bulgaria .....	36	6.52	581	105.29	1,513.9
Total, Central Powers.	1,011	6.88	29,175	198.51	2,785.8
Total, Active Belligerents	5,219	8.14	103,131	160.14	1,876.1
C. NEUTRALS AND INACTIVE BELLIGERENTS					
Argentina .....	342	41.28	578	69.77	69.0
Brazil .....	175	6.59	568	20.67	224.6
Denmark .....	42	14.38	138	46.92	228.6
Netherlands .....	125	18.99	404	60.07	223.2
Norway .....	33	13.15	113	42.93	242.4
Spain .....	370	17.85	747	35.84	101.9
Sweden .....	56	9.73	181	31.20	223.2
Switzerland .....	52	13.40	173 (M)	43.94	232.7
Total, Neutrals, Etc..	1,195	15.48	2,902	36.90	142.8
GRAND TOTAL .....	6,414	8.93	106,033	146.73	1,553.1

- A. Unless otherwise noted, the source and composition of the figures given for belligerents are identical with those given in a similar table, appearing in the *Quarterly Journal of Economics*, November, 1919, to which the reader is referred.
- B. Includes circulation as of July 1, 1920, consisting of federal reserve notes, \$3,122 millions; federal reserve bank notes, \$199 millions; and national bank notes, \$696 millions.
- C. Includes Currency notes, as of June 30, 1920, £357,356,000; Bank of England circulation as of July 14, 1920, £124,238,000; and average circulation of Scotch and Irish banks of issue, for the month ended April 17, 1920, and the average circulation of the English private banks for the month ended May 1, 1920, total of the latter two items, £56,094,513.



- D. Includes notes of the Bank of Italy (May 10, 1920), 12,619 million lire; notes of the Bank of Naples and the Bank of Sicily (Feb. 10, 1920), 3,466 millions; State notes (Mar. 20, 1920), 2,271 millions; and Treasury notes, 261 millions.
- E. Composed as follows: Notes before the Revolution, 9,950 million rubles; "Kerensky" notes, 8,967 millions; issued by the Soviet Government from October, 1917 to December 31, 1918, 36,353 millions; notes issued thereafter on the basis of  $2\frac{1}{2}$  billions per month, according to Pravda (*cf. London Economist*, June 28, 1919).
- F. Includes notes of the Bank of Japan as of May 15, 1920, 1181 million yen; Bank of Taiwan, 103 millions (June 30, 1919); Bank of Chosen, 40 millions (June 30, 1919); exchequer notes, 130 millions (as of Sept. 30, 1919).
- G. Includes Reichsbank notes, June 23, 1920, as per preceding table; loan bureau notes, as of May 7, 1920, 13,804 million marks; Treasury notes, 321 millions; and also the average circulation for 1919 of other banks of issue, 271 millions (*Cf. Conrad's Jahrbücher für Nationalökonomie und Statistik*, March 1920, p. 1042).
- H. Former boundaries.
- J. Consists of circulation of National Bank of Rumania, May 1, 1920, as per preceding table; notes issued by the Banque Générale Roumaine during German occupation, 2,105 million lei; and foreign currencies (4 billion crowns and 1 billion rubles) circulating in the newly-annexed territories. *Cf. Basler Nachrichten*, May 5, 1920.
- K. Includes German marks in circulation.
- L. Total note circulation, including exchequer issues.
- M. Includes loan bureau notes of May 31, 1920, 10 million francs.

NORWAY: The law of April 23, 1892, permitted the Bank of Norway to issue notes up to 100 per cent of the gold reserve (of which one third could be held abroad, plus 3 million kroner in foreign state banks), and in addition 24 million kroner uncovered by specie. Later by the act of May 31, 1905, the uncovered portion was raised to 35 millions. During the war the reserve requirements were altered and the issue of notes was limited to the following amounts: (1) the stock of gold coin and bullion in the vaults of the Bank of Norway; (2) available balance abroad up to one half the stock of gold; (3) balances in the Bank of Sweden and the National Bank of Denmark up to 6 million kroner, and (4) an amount of 70 million kroner in excess of the stock of gold. In addition the provisions regarding the disposition of profits of the Bank of Norway underwent change in July, 1916. Instead of 6 per cent as heretofore, the shareholders are allowed 9 per cent; then the state participates to the extent of 3 per cent. Of the remainder, four fifths reverts to the State and one fifth to the shareholders.<sup>5</sup>

<sup>5</sup> Owing to heavy shrinkage of the gold reserve, the Bank of Norway suspended payments of gold specie under a royal decree issued March 19, 1920. It is provided, however, that within the discretion of the bank sales may be made for industrial purposes at bullion value. *Cf. Commerce Reports*, April 1, 1920.

SPAIN: The law of May 3, 1902, prescribed the following reserves against notes:<sup>6</sup> (1) from 1,200 to 1,500 million pesetas, a specie reserve of 33 1/3 per cent, at least one half of which must be gold; (2) from 1,200 to 1,500 million pesetas, a specie reserve of 60 per cent, of which two thirds must be gold as a minimum; and (3) from 1,500 to 2,000 million pesetas, a specie reserve of 70 per cent of which five sevenths must be gold. Thus before August, 1914, the banking law permitted a maximum issue of 2,000 million pesetas, covered by a metallic reserve of 930 millions, of which 570 millions or more had to be in gold and 360 millions or less in silver. After the outbreak of the war the note limit was raised to 2,500 million pesetas and the law required that the excess over 2,000 millions be covered by specie, without naming gold or silver. Legislation of later date augmented the note issues on four different occasions from 2,500 to 4,500 million pesetas and at the same time required a cover, peseta for peseta, in gold. Due to peculiar conditions arising out of the war, the Bank of Spain labored under a plethora of gold and was able to amass a very large stock of the yellow metal. It managed to maintain its advantageous position while other neutral banks of issue that had waxed rich with the precious metal were beginning to feel the effects of after-war adjustments in the banking world.

SWEDEN: Owing to rapid withdrawals of gold and heavy expansion of notes in circulation, the Bank of Sweden was forced to suspend specie payment at the outbreak of the war. On April 2, 1915, an amendment to the banking laws made this procedure in times of emergency. During the early part of the war period the flow of gold was so rapid that the bank which was required to purchase gold at a fixed price and had no alternative but to issue notes in return (since gold did not circulate), applied to the government for relief. On February 8, 1916, an act was passed freeing the bank of this obligation in times of emergency or extraordinary circumstances, and at the same time suspended free and unlimited coinage of gold. This action was concurred in by the governments of Denmark and Norway, since the success of this measure in Sweden depended upon the coöperation of the other two Scandinavian countries with which its financial operations are closely interwoven.

SWITZERLAND: The Federal Council established loan banks modeled after the German prototype (*Darlehnskassenbanken*) in accordance with the law of September 9, 1914. Circulation of these emergency notes began in November, 1914, reaching their high level on October

<sup>6</sup> The banking law requires no specie reserve against deposits.

31, 1915, with a total of 37 million francs. Thereafter the volume of notes began to dwindle up to the middle of 1918 when a rising tendency was again manifested for a short while, only to continue their downward course in 1919. Recently the Federal Council has had under consideration proposals bearing on the reorganization of the Swiss National Bank. Chief among the proposals are: (1) to give the Bank power to issue notes of denomination other than 50, 100, 500 and 1,000 francs at any time that scarcity demands such procedure; (2) in the future to allow foreign sight bills to be accepted in the cover for banknotes; (3) the fixed metallic cover of 40 per cent to be reduced to 33  $\frac{1}{3}$  per cent provisionally in case of necessity; (4) the annual allocation to the reserve funds to be limited to a maximum of 2 per cent of paid-up capital; and (5) the bank dividend to be fixed at 4 per cent per annum with provisions for increasing it to 5 $\frac{1}{2}$  per cent under certain circumstances.

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There has been issued as Senate Document No. 184, 66th Congress, 2d Session, a letter from the governor of the Federal Reserve Board on *State Banks in Federal Reserve System*, under date of January 26, 1920 (Washington, pp. 36); and as No. 262, a letter on *Rates of Interest on Collateral Call Loans*, under date of March 27, 1920 (pp. 55).

A letter from the Postmaster General to the Committee on the Post Office and Post Roads relates to the *Operations of the Postal Savings System* for the year ended June 30, 1919 (66 Cong., 2 Sess., pp. 44).

There has recently been printed *Hearings*, before the subcommittee of the House Committee on Banking and Currency, on *Standard Silver Dollar*, held in January and February (pp. xxvii, 15, 24).

The *Report of the Commission on the Necessities of Life*, published as Massachusetts House Document No. 1500 (Boston, Feb., 1920, pp. 182) is a thorough survey of the subject. There are chapters on: war and the cost of living; general effects of increased prices; various elements comprising the necessities of life, with subdivisions under food, clothing, rents and housing, fuel and lighting, and sundries, with many statistical appendices.

The following state bank reports have been received:

*Thirteenth Annual Report of the State Bank Commissioner of Colorado*, 1919 (Denver, pp. 273).

*Seventh Annual Report of the Banking Commissioner of Kentucky, 1918-1919* (Frankfort, 1920, pp. 151).

*Annual Report of the Board of Bank Commissioners of New Hampshire for the year ending August 31, 1919* (Concord, pp. 428).

*Twelfth Annual Report of the Bank Commissioner of Rhode Island, 1919* (Providence, pp. 221).

A compilation has been made of *Banking Laws of the State of Alabama* as in effect January 1, 1920 (Montgomery, pp. 43); also of the *Laws relating to State Banks and Trust Companies, Savings Banks and Industrial Banks, Building and Loan Associations and Investment Companies of Connecticut, 1919* (Hartford, 1920, pp. 168).

### Public Finance

The Commission to Investigate the Laws of New Jersey has submitted its report (Trenton, 1920, pp. 40). The usual criticism is made of the general property tax and there is discussion of the remedies for the classification of personal property and of the substitution of a personal income tax in place of the personal property tax. The commission recommends a tax upon business to be levied upon the net income. Several pages are given to the subject of assessment and of improvements which can be made.

The Board of Tax Commissioners of Rhode Island has compiled in a separate pamphlet *Laws Relating to Taxation* as existing in 1919 (Providence, pp. 171).

The following annual reports of state tax commissions have appeared:

*Fourth Annual Report of the State Board of Taxes and Assessment, for the year ending June 30, 1919* (Trenton, pp. 384).

*Annual Report of the State Tax Commission, 1918* (Albany, 1919, pp. 531).

*Report of the Tax Commissioner of Massachusetts, for the year ending November 30, 1919* (Boston, pp. 204).

*Fourth Annual Report of the South Carolina Tax Commission, 1918* (Columbia, 1919, pp. 114).

*Annual Report of the Tax Commission of the State of South Dakota, 1918-1919* (Pierre, pp. 108).

*Eleventh Annual Report of the Tax Commissioner of Texas, 1919* (Austin, pp. 95).

The June, 1920, bulletin on *State Finances*, published by the Tax

Commissioner of New York is entitled "Transfer (Inheritance) Tax Number—Hetty Green Victory" (pp. 16).

The Equitable Trust Company has issued a pamphlet on the *New York State Transfer Tax Law* (New York, pp. 45).

A compilation has been made of the Wisconsin tax laws relating to *Assessment and Collection of Taxes* (Madison, Wisconsin Tax Commission, 1920, pp. 221).

The Bureau of Government Research of the University of Texas has published a series of sheets on *Tax Rates and Taxable Values in Texas Cities*. This is a summary of the answers received from a questionnaire to Texas cities, a statement of the constitutional provisions regarding local taxation together with the proposed constitutional amendments relating to local taxation, and the proposed constitutional amendments relating to local taxation to be voted on November 4, 1920.

### Insurance

MARINE INSURANCE. An interesting document dealing mainly with marine insurance has appeared recently in connection with the report of the congressional subcommittee on merchant marine and fisheries. It is entitled *Report on Status of Marine Insurance in the United States, including the Recommendations of the Subcommittee on Merchant Marine and Fisheries* (Washington, 1920, pp. 100). The report proper was prepared by Professor S. S. Huebner, expert in insurance to the United States Shipping Board and the Committee on the Merchant Marine and Fisheries. Professor Huebner is also well known as the author of textbooks on insurance. Among the subjects discussed in the report are the economic importance of marine insurance; volume and classification of the business; extent of foreign control; reinsurance agreements; marine underwriters' associations; and rate making. Attention is directed to the service of marine insurance as a fundamental instrument of commerce—as a national commercial weapon. In line with opinions recently voiced from other quarters, Professor Huebner points out that the necessary servants of exports and importers are banking, shipping, and insurance, the latter fulfilling the very vital purpose of protecting and stabilizing the banking, commercial, and shipping factors.

That the British have long realized the advantage of coördinating the instruments of commerce and that they have acted accordingly is recounted by the writer:

Appreciating the numerous property and credit connections that radiate from the leading shipping, banking, and insurance interests at practically every center of foreign trade, British commercial interests have long realized the advantages of coöperation between these three complementary factors, since each can be made to serve and hasten the growth of others. Not only have the British insurance companies been encouraged to unite into huge combinations through actual consolidation or community of interests, but they have been permitted, unlike the practice of this country, to write numerous kinds of insurance with a view to reducing their overhead expenses, to enlarging their underwriting facilities to the utmost, and to enabling them to meet the full insurance needs of their clients. Nor is there the slightest hesitancy in co-operating with other commercial agencies to acquire business. English bankers throughout the world, for example, have arrangements with English insurance companies whereby they provide insurance for their clients—fire insurance to protect their loans on goods while in process of production, and marine insurance to protect their loans when the goods are ready for export. Consult the directorates of British insurance companies and it becomes clear how judiciously the leading shipping, banking, and commercial interests are represented. And then consult the directorates of leading shipping, banking, and commercial interests, and it again becomes clear how judiciously the insurance interests are represented. Each factor helps the others through a proper association of business interests, until the whole foreign trade equipment—shipping, banking, and insurance—is judiciously knit together into one great force capable of pursuing a united and intelligent policy.

The benefits arising from such united action are considered and they include, among others, the power thus given in the preëmpting of leading lines of trade; the advantage of having underwriting facilities always available; the facility in adjustment of losses; and the proper safeguarding of commercial information. In the light of such advantages the writer takes the ground that there is no reason why the United States, with its great wealth and the facilities available, should allow two thirds of its marine insurance business to flow into foreign hands, as is now the case.

The recommendations of the subcommittee covered six pages and are far reaching and ambitious in scope. They are based, it would seem, upon the idea that there is a pressing necessity for foreign trade development on the part of this country and that American marine insurance, controlled by citizens of this country, is a necessary and effective part of the machinery for developing foreign trade. As stated (p. 75):

All evidence leads to the conclusions that a strong and independent national marine insurance institution is an absolute necessity to a nation's foreign trade equipment, that such an institution does not exist in the United States today, and that it is imperative to adopt ways and means to correct the present impossible situation if this country is to meet the strenuous international rivalry that the new era is certain to inaugurate. There can be no doubt, judging from

the manner in which our competitors are now seeking to undermine this branch of underwriting, that marine insurance will be used, as probably never before, as a national commercial weapon for the acquisition and development of foreign markets. Failure to act now in strengthening our marine insurance facilities and placing them in an independent position free from foreign control, cannot be regarded otherwise than as the neglect of a duty and an opportunity. The loss of the present rich opportunity will soon be bitterly regretted, but it will be too late to undo the mischief.

Marine insurance is more than a fundamental agency of commerce, and its importance extends beyond the ordinary service of protecting property and credit. Its use as a competitive weapon in international trade has been demonstrated to your committee in many ways. From this viewpoint, the advantages of possessing strong, independent underwriting facilities are undeniable.

The above sentences and others that could be quoted make it apparent that the congressional subcommittee believes that our present-day facilities for handling marine insurance are entirely inadequate, and that foreign control of two thirds of our marine insurance is a situation to be deplored.

The reasons for such far-reaching foreign control, mainly on the part of the British, are indicated. In a word, British companies are favored by such factors as a world market of long-time development; by a wide spread of business and of reinsurance facilities; by freedom on the part of companies either to combine or to form communities of interest; by freedom to write numerous forms of insurance; by a much lighter tax burden than is borne by American companies; by smaller overhead charges; and by the support of their own merchants and vessel owners.

The conclusions reached by the committee as to remedies for existing conditions in this country embrace several lines of action such as the formation of a comprehensive insurance bureau for the purpose of reinsurance; assistance on the part of the federal government; and state help through the removal of "unnecessary and paralyzing legislative restrictions."

The reinsurance bureau or exchange should be composed of American companies and be open to all willing to agree to conform to reasonable requirements. As a matter of fact, such a bureau is said to be in process of formation. The federal government could assist in remedying existing conditions, in the opinion of the committee, by going out of the marine insurance business itself, and by having all departments of the government which now place insurance with private interests divert such business to the proposed new bureau, especially if the rates offered by it are sufficiently attractive. It is also suggested that federal assistance can be given along other lines, notably by assuring marine un-

derwriters of the legality of forming associations and combinations designed to facilitate reinsurance, and by repealing the federal tax of one per cent on marine insurance premiums. It is urged that the state governments should pass remedial legislation notably with respect to taxation and the granting of permission to a single company to engage in several lines of insurance.

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